Message from the President

Overview of Fiscal 2017

Business performance

In fiscal 2017, ended March 31, 2018, overseas economies remained on a mild recovery path overall. This was in part because economies in the United States, Europe, and other industrialized countries as well as China continued to recover underpinned by strong consumer spending and an expansion in exports while economies in emerging nations also turned around on the back of higher resource prices and an expansion in exports. The Japanese economy also recovered moderately thanks to an improvement in the employment situation and growth in capital investment and exports.

With respect to the JSW Group's operating environment, the Industrial Machinery Products Business segment performed well for the most part due to growing demand for such plastic products for automobiles as materials for automotive lithium-ion batteries. However, conditions remained difficult for the Steel and Energy Products Business segment, reflecting a prolonged slump in demand for products used in thermal power and nuclear power plants.

Under these conditions, the JSW Group promoted its business activities in accordance with the medium-term management plan entitled JGP2017 during fiscal 2017, the final year of the plan. Despite a harsh business environment, the Steel and Energy Products Business segment cut back on invested capital and reviewed its business domain in order to make a strategic move for a rebound. Meanwhile, the Industrial Machinery Products Business segment accelerated its business growth by expanding its business domain and taking other measures.

For fiscal 2017, total orders amounted to ¥236,050 million (US$2,221 million), up 32.9% over the previous year, due to increases in orders generated by both the Steel and Energy Products Business and Industrial Machinery Products Business segments. Net sales edged up 0.2% to ¥212,957 million (US$2,004 million), with higher sales in the Industrial Machinery Products Business segment offsetting lower sales in the Steel and Energy Products Business segment. With regard to profits, the JSW Group posted operating income of ¥21,318 million (US$200 million), up 72.8%; ordinary income of ¥22,117 million (US$208 million), up 82.6%; and profit attributable to owners of parent of ¥10,712 million (US$100 million) (as opposed to a loss attributable to owners of parent of ¥4,968 million in the previous fiscal year).

Looking ahead, the world economy is expected to continue recovering moderately, driven by the U.S., European, and other industrialized economies. In Japan, we expect the economy to remain on a moderate recovery path as well. On the other hand, uncertainties regarding intensifying trade frictions, the impact of export-oriented companies due to respective countries' trade policies, and rising geopolitical risks in the Middle East and other regions require close monitoring.

Under these circumstances, the JSW Group's Steel and Energy Products Business segment is expected to continue facing a difficult business environment amid a prolonged delay in demand recovery for nuclear power products as well as stagnant demand in products for thermal power plants after the passage of the Paris Agreement. To achieve a return to profitability, we will continue rebuilding our business foundation and fostering new businesses. In the Industrial Machinery Products Business segment, we will further expedite business expansion not only by augmenting production capacity aimed at responding to robust demand but also strengthening alliances and after-sales services.

Our consolidated forecasts for fiscal 2018 are: total orders of ¥230.0 billion (US$2,164 million), net sales of ¥220.0 billion (US$2,070 million), operating income of ¥22.0 billion (US$207 million), ordinary income of ¥22.0 billion (US$207 million), and profit attributable to owners of parent of ¥15.0 billion (US$141 million).

We look forward to the further guidance and support of all shareholders.

June 2018